149 FERC ¶ 61,193
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

December 1, 2014

In Reply Refer To:
Tennessee Gas Pipeline Co., L.L.C.
Docket No. RP15-130-000

Tennessee Gas Pipeline Company, L.L.C.
1001 Louisiana Street
Suite 1000
Houston, Texas 77002

Attention: Milton Palmer, Jr., Director
Rates and Regulatory Affairs

Dear Mr. Palmer:

1. On October 31, 2014, Tennessee Gas Pipeline Company, L.L.C. (Tennessee) filed *pro forma* tariff records to revise its Rate Schedules LMS-MA (Load Management Service – Market Area) and LMS-PA (Load Management Service – Pooling Area). In general, Tennessee proposes to modify those rate schedules by substituting the current index prices with the index prices published in the Natural Gas Intelligence's *Daily Gas Price Index Report*. Tennessee also proposes to revise its receipt regions to better reflect the price of natural gas supply entering its system. Tennessee also requests waiver of section 154.204(e) of the Commission's regulations, which requires Tennessee to provide workpapers detailing the estimated costs and revenues of its proposal. As discussed below, we grant waiver of section 154.204(e) of the Commission's regulations and approve Tennessee's proposal. When Tennessee files to implement its proposal, it should file actual tariff records consistent with the *pro forma* tariff records approved herein.[1]

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[1] Tennessee requests that the Commission approve its proposal on or before December 1, 2014, so that it can make necessary changes to its interactive customer activities system before filing to implement the new index prices.

2. Notice of the filing was issued on November 3, 2014. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2014)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2014)), all timely filed motions to intervene and any unopposed motion to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. No protests or adverse comments were filed. Cabot Oil & Gas Corporation filed comments in support of the proposal.

3. According to Tennessee, it currently offers daily swing and monthly balancing services under Rate Schedules LMS-MA and LMS-PA.[2] Tennessee states that imbalances under these two rate schedules are cashed-out monthly pursuant to section 7 of the respective rate schedule, which currently utilizes index prices published in Natural Gas Week's *Gas Price Report* to calculate the cashout amount. Tennessee notes that, pursuant to its tariff, it calculates cash-out prices for six different regions.[3]

4. In the instant filing, Tennessee proposes to revise Rate Schedules LMS-MA and LMS-PA by replacing the index prices published in the Natural Gas Week's *Gas Price Report* with index prices published in the Natural Gas Intelligence's *Daily Gas Price Index Report*. Tennessee also proposes to implement 12 receipt zones consistent with the new index prices, stating that the proposed zones better reflect the price of natural gas entering its system.[4] Tennessee contends that its proposed index prices will be beneficial

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[2] Tennessee explains in its transmittal that Rate Schedule LMS-MA is applicable to gas flowing through meters covered by a Delivery Point Balancing Agreement or an Aggregator Delivery Point Balancing Agreement, and Rate Schedule LMS-PA is applicable to gas flowing through meters covered by a Receipt Point Balancing Agreement or a Supply Aggregation Service Agreement.

[3] The six current regions are defined as: Texas Offshore; Texas Onshore; Louisiana Offshore; Louisiana Onshore; Zones 2 – 4 – Appalachia; and, Zones 5 – 6 – New England. Tennessee notes that these are geographical regions set forth in the *Gas Price Report*.

[4] Tennessee states that the name of each of the 12 receipt regions generally corresponds with the name of a Tennessee-specific Natural Gas Intelligence index price published in the *Daily Gas Index Price Report*, with one exception. It states that the "Tennessee Zone 2 and 3" receipt region, which covers geographically all of Zones 2 and 3 of Tennessee's system, does not correspond with a Tennessee-specific Natural Gas Intelligence index price because that publication does not publish an index for Zones 2 and 3 of Tennessee's system.

because: (1) they will support Tennessee's business needs in a more economical manner; (2) they are being proposed at the request of certain shippers; and (3) Natural Gas Intelligence publishes multiple region-specific indices which reflect the market-determined pricing points prevailing on Tennessee's system, which the Natural Gas Week does not publish. Tennessee states that it currently has to cash out certain imbalances using index prices for a much broader region which is less reliable and less accurate.

5. Tennessee also proposes to use the daily index prices from the Natural Gas Intelligence to perform its own calculation of the weekly Pooling Area Price for each receipt region, instead of using the Natural Gas Intelligence's published weekly index prices. Tennessee proposes to perform this calculation independently because the Natural Gas Intelligence's weekly published index prices do not weight the prices attributable to gas flow dates Saturday through Monday of each week separately. Tennessee includes with its transmittal sample calculations for how it proposes to calculate its weekly index prices.

6. Tennessee states that its proposal is consistent with the Commission's requirements on including new index points in tariffs. Tennessee asserts its proposal meets all of the standards of the Commission's *Policy Statement on Natural Gas and Electric Price Indices*[5] as Natural Gas Intelligence is a publisher the Commission has deemed to meet its policy requirements. Tennessee also shows in Appendices B and C that its proposal satisfies the Commission's minimum average criteria for liquidity for new index points.[6]

7. The Commission finds that Tennessee's proposal is just and reasonable. The use of the NGI daily index to calculate cashout prices should better reflect the market-determined pricing points prevailing on Tennessee's pipeline system and track more closely fluctuating market prices. Moreover, as the proposed changes are to the index used for Tennessee's cash-out mechanism, they should not affect Tennessee's cost and

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[5] *Price Discovery in Natural Gas and Electric Markets,* 109 FERC ¶ 61,184 (2004).

[6] Tennessee notes that, in the three instances where the index price point does not meet the Commission's liquidity threshold, Tennessee proposes to use an alternative point that meets the liquidity threshold.

revenues. Thus, for good cause shown, we also grant the requested waiver of section 154.204(e) of our regulations. When Tennessee files to implement its proposal, it should file actual tariff records consistent with the *pro forma* tariff records approved herein.

By direction of the Commission.

Kimberly D. Bose,
Secretary.